

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lake Township	County Lake
Audit Date 6/30/04	Opinion Date 10/4/04	Date Accountant Report Submitted to State: December 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 12/22/04	

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

JUNE 30, 2004

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 4, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of July 1, 2003.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 16 and 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Lake Township, Lake County, Baldwin, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LAKE TOWNSHIP, LAKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Lake Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2004. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$575,791. Of this amount, \$117,108 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$117,214 or 35.48% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2004 for Lake Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and

LAKE TOWNSHIP, LAKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

administration, public safety, public works, economic development, and other functions. The township supports no business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$575,791 at June 30, 2004, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004

Lake Township
Net Assets as of June 30, 2004

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 165,348
Non Current Assets	
Capital Assets	\$ 761,198
Less: Accumulated Depreciation	(197,856)
Total Non Current Assets	\$ 563,342
Total Assets	\$ 728,690
Liabilities	
Current Liabilities	\$ 41,950
Long-Term Liabilities	110,949
Total Liabilities	\$ 152,899
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 410,749
Restricted for Fire Protection	47,934
Unrestricted	117,108
Total Net Assets	\$ 575,791
Total Liabilities and Net Assets	\$ 728,690

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset.

At the end of the current fiscal year, the Township is able to report positive balance in net assets for the government as a whole.

The total net assets of the Township increased by \$94,121 or 19.54% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004

Lake Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2004

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 11,824
Operating Grants and Contributions	73,395
General Revenues	
Property Taxes and Assessments	165,969
State Shared Revenue	59,460
Unrestricted Investment Earnings	2,269
Gain on Sale of Capital Assets	150
Other	<u>14,885</u>
Total Revenues	\$ <u><u>327,952</u></u>
<u>Expenses</u>	
Legislative	\$ 9,421
General Government, Administrative	83,814
Public Safety	114,994
Public Works	3,437
Economic Development	13,872
Other Functions	<u>8,293</u>
Total Expenses	\$ <u><u>233,831</u></u>
Changes in Net Assets	94,121
NET ASSETS – Beginning of Year	<u>481,670</u>
NET ASSETS – End of Year	\$ <u><u>575,791</u></u>

Governmental Activities

During the fiscal year ended June 30, 2004, the Township's net assets increased by \$94,121 or 19.54% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied operating and fire protection millages, this fiscal year. As a result, current property tax revenue increased by \$8,433 or 6.47%. The Township levied 0.7377 mills for operating purposes and 0.9605 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2004, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public safety expenses that total 49.18% of total expenses. The Township spent \$114,994 in fiscal year 2004 on public safety expenses. General governmental expenses represented the next largest expense at \$83,814 followed by economic development at \$13,872. These represent 35.84% and 5.93% respectively. Expenses for salaries, represent a large portion of the general administrative expenses at \$33,525. Depreciation expense added another \$41,362.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$165,148. Approximately 70.98% of this total amount (\$117,214) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

General Fund – The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$117,214. Unreserved fund balance represents 35.48% of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$56,043 during the current fiscal year. The major factor for the decrease was due to the construction of the new township office.

Fire Fund – The township did once again levy a fire millage on the 2003 tax roll. Tax related revenues totaled \$94,073 a 4.81% increase, for the current fiscal year. All of the fire funds functions ended the year with expenditures below budgeted amounts.

LAKE TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2004 amounted to \$563,342 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 28.26% entirely in the governmental activities.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually for the General Fund and \$5,000 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

Lake Township
Capital Assets as of June 30, 2004

		Governmental Activities
Land and Land Improvements	\$	98,700
Buildings		278,750
Machinery and Equipment		383,748
	\$	761,198
Less Accumulated Depreciation		197,856
Net Capital Assets	\$	563,342

Major capital asset events during the current fiscal year included the following:

- ◆ Township built a new office of \$135,000.
- ◆ Township put up a new fence and other improvements at the cemetery for \$80,000.

Long-Term Debt. As of June 30, 2004, the Township had total outstanding debt of \$152,593. This fiscal period the township incurred new debt of \$49,000 for a portion of the cost of the new township office.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease by at least 1.091% in the 2004-05 fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to 0.7377 mills for general operating purposes.

A fire millage was once again levied for the 2003 tax roll. The mills to be levied for the 2004 tax roll for fire protection are expected to be similar to 2003.

These factors were considered in preparing the Township's budgets for the 2004-05 fiscal year.

LAKE TOWNSHIP, LAKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 11580 S. Star Lake Drive, Baldwin, MI 49304.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 165,348
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 98,700
Buildings	278,750
Machinery and Equipment	383,748
	\$ 761,198
Less Accumulated Depreciation	(197,856)
Net Capital Assets	\$ 563,342
 TOTAL ASSETS	 \$ 728,690
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Rental Deposits	\$ 200
Accrued Interest	106
Current Portion of Long-Term Liabilities	41,644
	\$ 41,950
 <u>NONCURRENT LIABILITIES</u>	
Note Payable - Building (Net of Current Portion)	\$ 37,875
Note Payable - Fire Truck (Net of Current Portion)	73,074
	\$ 110,949
 Total Liabilities	 \$ 152,899
 <u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 410,749
Reserved for Fire Protection	47,934
Unrestricted	117,108
	\$ 575,791
 TOTAL LIABILITIES AND NET ASSETS	 \$ 728,690

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND
				CHANGES IN
				NET ASSETS

GENERAL REVENUES

Property Tax	\$ 165,969
State Shared Revenue	59,460
Unrestricted Investment Earnings	2,269
Gain on Sale of Capital Assets	150
Other	14,885
Total General Revenues	<u>\$ 242,733</u>
Change in Net Assets	\$ 94,121
<u>NET ASSETS</u> - Beginning of Year	<u>481,670</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 575,791</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2004

	<u>GENERAL</u> <u>FUND</u>	<u>FIRE</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 117,414	\$ 47,934	\$ 165,348
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Rental Deposits	\$ 200	\$ 0	\$ 200
<u>FUND BALANCE</u>			
Reserved for:			
Fire Protection	\$ 0	\$ 47,934	\$ 47,934
Unreserved			
Undesignated	117,214	0	117,214
Total Fund Balance	\$ 117,214	\$ 47,934	\$ 165,148
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 117,414	 \$ 47,934	 \$ 165,348

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances for Governmental Funds	\$ 165,148
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 98,700	
Buildings	278,750	
Equipment	383,748	
Accumulated Depreciation	<u>(197,856)</u>	563,342

Long-term liabilities and accrued interest are not due and payable in the current term
and are not reported in the funds.

Note Payable - Building	(49,000)	
Note Payable - Fire truck	(25,609)	
Note Payable - Fire truck	(77,984)	
Accrued Interest Payable	<u>(106)</u>	

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 575,791</u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 71,896	\$ 94,073	\$ 165,969
Licenses and Permits	7,097	0	7,097
State Grants	59,460	2,236	61,696
Charges for Services	2,900	0	2,900
Interest and Rents	3,589	507	4,096
Other Revenues	80,339	2,738	83,077
Sale of Fixed Asset	0	150	150
Prior Period Adjustment	0	2,867	2,867
Miscellaneous	0	100	100
Total Revenues	<u>\$ 225,281</u>	<u>\$ 102,671</u>	<u>\$ 327,952</u>
<u>EXPENDITURES</u>			
Legislative	\$ 9,421	\$ 0	\$ 9,421
General Government	294,948	0	294,948
Public Safety	353	107,603	107,956
Public Works	3,437	0	3,437
Community and Economic Development	13,872	0	13,872
Other Functions	8,293	0	8,293
Total Expenditures	<u>\$ 330,324</u>	<u>\$ 107,603</u>	<u>\$ 437,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (105,043)</u>	<u>\$ (4,932)</u>	<u>\$ (109,975)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	<u>49,000</u>	<u>0</u>	<u>49,000</u>
Net Change in Fund Balance	<u>\$ (56,043)</u>	<u>\$ (4,932)</u>	<u>\$ (60,975)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>173,257</u>	<u>52,866</u>	<u>226,123</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 117,214</u>	<u>\$ 47,934</u>	<u>\$ 165,148</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2004

Net change in Fund Balance - Total Governmental Funds	\$ (60,975)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(41,362)
Capital Outlay	215,000

Accrued interest on debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	211
Accrued Interest Payable - End of Year	(106)

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	30,353
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Proceeds of new debt are reported as an other financing source in the governmental funds, but not in the statement of activities (where they are an increase in liabilities)	<u>(49,000)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 94,121</u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Lake Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township Board adopted an investment policy on December 19, 1999 which states the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

invest in the following: Public Funds Management Accounts, Savings Accounts, Certificates of Deposit, Money Market Accounts, and US Treasury Bills.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2003 taxable valuation of the Lake Township totaled \$64,434,099, on which ad valorem taxes levied consisted of 0.7377 mills for the Lake Township operating purposes, and 0.9605 mills for Lake Township fire protection. These levies raised approximately \$47,515 for operating purposes and \$61,868 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

as assets with an initial, individual cost of more than \$2,500 and \$5,000 for the fire fund (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Vehicles	10
Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 21, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are held separately by several of the Township's funds. At year-end, a total of \$69,970 of the Township's \$169,970 of total investments and deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$100,000 is insured. At year-end, the carrying amount of the Township's deposits was \$165,348, and the bank balance was \$169,970.

The carrying amount of the Township's deposits at year-end are shown below:

	GENERAL FUND	FIRE FUND	TOTAL
Lake-Osceola State Bank			
Baldwin, Michigan			
Commercial Accounts	\$ 0	\$ 334	\$ 334
Money Market Accounts	117,414	47,600	165,014
	<u>\$ 117,414</u>	<u>\$ 47,934</u>	<u>\$ 165,348</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no components of deferred revenue and unearned revenue reported in the governmental funds.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 18,700	\$ 0	\$ 0	\$ 18,700
Capital assets, being depreciated				
Buildings	\$ 143,750	\$ 135,000	\$ 0	\$ 278,750
Land Improvements	0	80,000	0	80,000
Machinery and equipment	383,748	0	0	383,748
Total capital assets, being depreciated	\$ 527,498	\$ 215,000	\$ 0	742,498
Less accumulated depreciation for:				
Buildings	\$ 23,525	\$ 3,313	\$ 0	\$ 26,838
Land Improvements	0	667	0	667
Machinery and equipment	132,969	37,382	0	170,351
Total accumulated depreciation	\$ 156,494	\$ 41,362	\$ 0	197,856
Total capital assets, being depreciated, net	\$ 371,004	\$ 173,638	\$ 0	\$ 544,642
Governmental activities capital assets, net	\$ 389,704	\$ 173,638	\$ 0	\$ 563,342

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 3,866
Public Safety	<u>37,496</u>
Total depreciation expense - governmental activities	<u>\$ 41,362</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2004.

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at June 30, 2004.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Lake for the year ended June 30, 2004:

Debt Payable At July 1, 2003	\$ 133,946
Debt Incurred	49,000
Debt Retired	<u>(30,353)</u>
Debt Payable at June 30, 2004	<u>\$ 152,593</u>

Long-term debt at June 30, 2004 is comprised of the following:

Fire Truck Contract	
\$128,147 payable to Lake-Osceola State Bank due in varying installments of \$26,877 to \$30,704 through May 29, 2005, interest at 4.95%	\$ 25,609
Fire Truck Contract	
\$87,250 payable to Lake-Osceola State Bank due in varying Installments of \$8,000 to \$30,000 through June 26, 2008, Interest at 3.962%	77,984
Building Loan	
\$49,000 payable to Lake-Osceola Bank due in varying Installments of \$2,776 to \$13,000 through February 1, 2009, Interest at 4.75%	<u>49,000</u>
	<u>\$ 152,593</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The annual requirements to amortize the debt outstanding as of June 30, 2004, including interest of \$15,556 are as follows:

<u>YEAR</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$ 41,645	\$ 6,232	\$ 47,877
2006	38,306	4,694	43,000
2007	39,912	3,088	43,000
2008	30,081	1,415	31,496
2009	2,649	127	2,776
	<u>\$ 152,593</u>	<u>\$ 15,556</u>	<u>\$ 168,149</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Fire Fund

Fire Protection

\$ 47,934

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 70,925	\$ 70,925	\$ 71,896	\$ 971	\$ 93,500	\$ 93,500	\$ 94,073	\$ 573
Licenses and Permits	8,303	8,303	7,097	(1,206)	0	0	0	0
State Grants	60,000	60,000	59,460	(540)	0	0	2,236	2,236
Charges for Services	2,000	2,000	2,900	900	0	0	0	0
Interest and Rents	1,944	1,944	3,589	1,645	200	200	507	307
Other Revenues	66,589	66,589	80,339	13,750	500	500	2,738	2,238
Sale of Fixed Asset	0	0	0	0	0	0	150	150
Prior Period Adjustment	0	0	0	0	0	0	2,867	2,867
Miscellaneous	0	0	0	0	0	0	100	100
Total Revenues	\$ 209,761	\$ 209,761	\$ 225,281	\$ 15,520	\$ 94,200	\$ 94,200	\$ 102,671	\$ 8,471
<u>EXPENDITURES</u>								
Legislative	\$ 16,150	\$ 13,221	\$ 9,421	\$ 3,800	\$ 0	\$ 0	\$ 0	\$ 0
General Government	197,859	268,602	294,948	(26,346)	0	0	0	0
Public Safety	0	996	353	643	149,952	149,932	107,603	42,329
Public Works	4,777	4,777	3,437	1,340	0	0	0	0
Community and Economic Development	16,950	17,050	13,872	3,178	0	0	0	0
Other Functions	3,520	8,520	8,293	227	0	0	0	0
Contingency	88,516	81,720	0	81,720				0
Total Expenditures	\$ 327,772	\$ 394,886	\$ 330,324	\$ 64,562	\$ 149,952	\$ 149,932	\$ 107,603	\$ 42,329
Excess (Deficiency) of Revenues Over Expenditures	\$ (118,011)	\$ (185,125)	\$ (105,043)	\$ 80,082	\$ (55,752)	\$ (55,732)	\$ (4,932)	\$ 50,800

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>OTHER FINANCING SOURCES (USES)</u>								
Loan Proceeds	\$ 0	\$ 0	\$ 49,000	\$ 49,000	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 49,000	\$ 49,000	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (118,011)	\$ (185,125)	\$ (56,043)	\$ 129,082	\$ (55,752)	\$ (55,732)	\$ (4,932)	\$ 50,800
<u>FUND BALANCE - Beginning of Year</u>	118,011	185,125	173,257	(11,868)	55,752	55,732	52,866	(2,866)
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 0	\$ 117,214	\$ 117,214	\$ 0	\$ 0	\$ 47,934	\$ 47,934

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	
Commercial Account and Money Market Account	\$ <u>117,414</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Rental Deposits	\$ 200
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FUND BALANCE

Unreserved	<u>117,214</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$ <u>117,414</u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 70,925	\$ 71,896	\$ 971
Licenses and Permits	8,303	7,097	(1,206)
State Grants	60,000	59,460	(540)
Charges for Services	2,000	2,900	900
Interest and Rents	1,944	3,589	1,645
Other Revenues	66,589	80,339	13,750
Total Revenues	\$ 209,761	\$ 225,281	\$ 15,520
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 13,221	\$ 9,421	\$ 3,800
General Government			
Supervisor	11,400	10,557	843
Election	1,580	1,077	503
Assessor	27,083	25,115	1,968
Attorney	4,000	5,575	(1,575)
Clerk	11,750	11,022	728
Board of Review	1,550	763	787
Treasurer	21,350	19,295	2,055
Building and Grounds	114,050	144,560	(30,510)
Cemetery	75,839	76,984	(1,145)
Public Safety			643
Fire Protection	996	353	
Public Works			1,340
Highways, Streets and Bridges	4,777	3,437	
Community and Economic Development			
Planning	3,800	3,405	395
Zoning	13,250	10,467	2,783

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Other Functions	8,520	8,293	227
Contingency	81,720	0	81,720
Total Expenditures	\$ 394,886	\$ 330,324	\$ 64,562
Excess of Revenues Over (Under) Expenditures	\$ (185,125)	\$ (105,043)	\$ 80,082
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	0	49,000	49,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (185,125)	\$ (56,043)	\$ 129,082
<u>FUND BALANCE</u> - Beginning of Year	185,125	173,257	(11,868)
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 117,214	\$ 117,214

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2004

TAXES

Current Property Taxes	\$	47,515	
Payments in Lieu of Tax		1,473	
Penalties and Interest on Taxes		897	
Property Tax Administrative Fee		<u>22,011</u>	
Total Taxes			\$ 71,896

LICENSES AND PERMITS

Land Use Permits	\$	2,650	
Land Division Fees		500	
Zoning Variance Applications		1,750	
Cable TV Franchise Fees		1,672	
Other		<u>525</u>	
Total Licenses and Permits			7,097

STATE GRANTS

State Revenue Sharing			
Sales and Use Tax	\$	56,630	
Metro Act		<u>2,830</u>	
Total State Grants			59,460

CHARGES FOR SERVICES

Sales - Cemetery Lots	\$	1,875	
Grave Openings		<u>1,025</u>	
Total Charges for Services			2,900

INTEREST AND RENTS

Interest Earnings	\$	1,762	
Pavilion Rental		355	
Oil and Gas Lease		<u>1,472</u>	
Total Interest and Rents			3,589

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2004

OTHER REVENUES

Reimbursements	\$ 1,254
Donations	70,634
Miscellaneous	3,031
Prior Period Adjustment	<u>5,420</u>

Total Other Revenues	<u>80,339</u>
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TOTAL REVENUES	225,281
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OTHER FINANCING SOURCES

Loan Proceeds	<u>49,000</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 274,281</u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 3,000

Supplies

Office Supplies 1,199

Other Services and Charges

Professional Services 2,935

Postage 321

Training 89

Dues and Fees 1,136

Printing and Publishing 414

Miscellaneous - Other 327

Total Legislative \$ 9,421

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 9,000

Salaries and Wages - Deputy 320

Salaries and Wages - Clerical 1,234

Other Services and Charges

Miscellaneous 3 \$ 10,557

Elections

Personal Services

Salaries and Wages \$ 879

Other Services and Charges

Transportation 66

Printing and Publishing 56

Miscellaneous - Other 76 1,077

Assessor

Supplies

Office Supplies \$ 75

Other Services and Charges

Contracted Services - Assessing 23,805

Postage 1,235 25,115

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Attorney			
Other Services and Charges			
Contracted Services			5,575
Clerk			
Personal Services			
Salaries and Wages	\$	9,000	
Salaries and Wages - Deputy		1,472	
Other Services and Charges			
Contracted Services		504	
Miscellaneous		46	11,022
Board of Review			
Personal Services			
Salaries and Wages	\$	640	
Other Services and Charges			
Printing and Publishing		123	763
Treasurer			
Personal Services			
Salaries and Wages	\$	9,000	
Salaries and Wages - Deputy		1,980	
Supplies			
Office Supplies		4,635	
Other Services and Charges			
Contracted Services		739	
Postage		2,890	
Printing and Publishing		51	19,295
Building and Grounds			
Supplies			
Operating Supplies	\$	3,090	
Other Services and Charges			
Contracted Services		2,551	
Repairs and Maintenance		890	
Utilities		1,960	
Heat		1,848	
Telephone		1,918	
Capital Outlay		132,303	144,560

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Cemetery			
Other Services and Charges			
Contract Services	\$	10,215	
Utilities		135	
Miscellaneous - Other		45	
Capital Outlay		<u>66,589</u>	<u>76,984</u>
Total General Government			294,948

PUBLIC SAFETY

Fire Protection			
Other Services and Charges			
Utilities			353

PUBLIC WORKS

Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services	\$	2,770	
Repairs and Maintenance		240	
Utilities		<u>427</u>	
Total Public Works			3,437

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning			
Personal Services			
Salaries and Wages	\$	2,560	
Other Services and Charges			
Training		82	
Printing and Publishing		<u>763</u>	<u>3,405</u>
Zoning			
Personal Services			
Administration	\$	7,800	

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Deputy Administrator	2,020		
Other Services and Charges			
Transportation	183		
Training	275		
Printing and Publishing	114		
Miscellaneous	<u>75</u>	<u>10,467</u>	
Total Community and Economic Development			13,872
 <u>OTHER FUNCTIONS</u>			
Insurance and Bonds		\$ 4,577	
Employee Benefits			
Medicare and Social Security		<u>3,716</u>	
Total Other Functions			<u>8,293</u>
TOTAL EXPENDITURES			\$ <u><u>330,324</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	
Commercial Account	\$ 334
Money Market Account	<u>47,600</u>
TOTAL ASSETS	<u>\$ 47,934</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>47,934</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 47,934</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes			
Current Property Taxes	\$ 84,500	\$ 82,869	\$ (1,631)
Delinquent Property Taxes	9,000	11,204	2,204
State Grant			
Volunteer Fire Assistance Grant	0	2,236	2,236
Interest and Rents			
Interest Earnings	200	507	307
Other Revenues			
Reimbursements	0	2,213	2,213
Donations from Private Sources	0	525	525
Sale of Fixed Asset	0	150	150
Prior Period Adjustment	0	2,867	2,867
Miscellaneous	500	100	(400)
Total Revenues	\$ 94,200	\$ 102,671	\$ 8,471
<u>EXPENDITURES</u>			
Public Safety			
Personal Services			
Salaries and Wages	\$ 24,280	\$ 23,620	\$ 660
Social Security	2,100	1,807	293
Supplies			
Office Supplies and Postage	215	315	(100)
Gas and Oil	1,500	1,013	487
Operating Supplies	15,500	17,903	(2,403)
Other Services and Charges			
Telephone	1,200	1,199	1
Heat	2,500	2,264	236
Training	1,800	1,439	361
Mileage	50	0	50
Repairs and Maintenance	7,000	1,625	5,375
Contracted Services	9,600	9,158	442

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Dues and Memberships	125	98	27
Miscellaneous	100	100	0
Insurance	10,750	10,706	44
Utilities	0	190	(190)
MEMAC Emergency Fund	100	0	100
Capital Outlay			
Equipment	2,500	0	2,500
Debt Service			
Principal	30,500	30,353	147
Interest	7,500	5,813	1,687
Contingency	32,612	0	32,612
Total Expenditures	\$ 149,932	\$ 107,603	\$ 42,329
Excess of Revenues Over (Under) Expenditures	\$ (55,732)	\$ (4,932)	\$ 50,800
<u>FUND BALANCE</u> - Beginning of Year	55,732	52,866	(2,866)
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 47,934	\$ 47,934

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash
Commercial Account

\$ 0

EQUITY

Balance
Unreserved

\$ 0

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

RECEIPTS

Current Tax Collections	\$	1,949,562	
Penalties and Interest on Late Payments		1,555	
Property Tax Administration Fees		19,469	
Overcollections from Taxpayers		<u>1,649</u>	
Total Receipts			\$ 1,972,235

DISBURSEMENTS

Payments to County Treasurer			
Current Tax	\$	647,847	
Payments to Township Treasurer			
Current Tax			
Operating	\$	41,856	
Fire		82,869	
Property Tax Administration Fee		19,469	
Penalties and Interest on Late Payments		<u>897</u>	145,091
Payments to School Treasurer			
Current Tax			
Baldwin Community Schools	\$	908,065	
Mason County Central Schools		<u>50,312</u>	958,377
Payments to Intermediate School Treasurer			
Current Tax			206,507
Payments to Community College Treasurer			
Current Tax			12,106
Refunds to Taxpayers for Overcollections			1,649
Tax Adjustments		<u>658</u>	
Total Disbursements			<u>1,972,235</u>
Excess of Receipts Over (Under) Disbursements			\$ 0

BALANCE - Beginning of Year 0

BALANCE - End of Year \$ 0

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2003 TAX ROLL
JUNE 30, 2004

TAXES ASSESSED

County	\$	735,421	
Township			
Operating		47,515	
Fire Operating		61,868	
Fire Debt		32,205	
Schools			
Baldwin Community Schools		1,021,252	
Mason County Central Schools		56,756	
Intermediate School			
Mason-Lake Intermediate		234,432	
College			
West Shore Community College		<u>14,379</u>	\$ 2,203,828

TAXES COLLECTED

County	\$	647,847	
Township			
Operating		41,856	
Fire Operating		54,500	
Fire Debt		28,369	
Schools			
Baldwin Community Schools		908,065	
Mason County Central Schools		50,312	
Intermediate School			
Mason-Lake Intermediate		206,507	
College			
West Shore Community College		<u>12,106</u>	<u>1,949,562</u>

TAXES RETURNED DELINQUENT

County	\$	87,574	
Township			
Operating		5,659	
Fire Operating		7,368	
Fire Debt		3,836	
Schools			
Baldwin Community Schools		113,187	
Mason County Central Schools		6,444	
Intermediate School			
Mason-Lake Intermediate		27,925	
College			
West Shore Community College		<u>2,273</u>	\$ <u><u>254,266</u></u>

134 WEST HARRIS STREET
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 4, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

During the course of our audit of the basic financial statements of Lake Township for the year ended June 30, 2004, we noted the following items which we feel deserve comment:

Budgeting

Pertaining to the Township's compliance with Public Acts 621 of 1978 the following item is noted:

Several activities in the General Fund and Fire Fund exceeded budgeted amounts. These overages were the result of year end audit adjustments. The overall monitoring of the budget is being handled very satisfactorily.

Condition of Accounting Records

Continued improvements in the accounting and recordkeeping of the Township books and accounts were made during the last fiscal year. We would like to compliment the clerk and treasurer for their hard work and diligence in improving the accounting records.

We'd like to take this opportunity to thank the Lake Township Board for awarding our firm the audit for the year ended June 30, 2004, and to express our appreciation of the efforts put in by the various employees and elected officials of the Township. We found the cooperation and willingness to provide us the data which we requested to be positive. Should you have any questions relative to the above comments or other areas of your accounting records, please call on us for assistance.

BAIRD, COTTER AND BISHOP, P.C.

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October 4, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

In planning and performing our audit of the basic financial statements of Lake Township, Lake County, Baldwin, Michigan for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.